

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIE-00 IO-14 L-03 SEC-03 SSO-00

NSCE-00 INRE-00 EURE-00 DRC-01 /165 W

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O 131545Z JUN 74

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC NIACT IMMEDIATE 9026

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E.O. 11652: N/A

TAGS: EFIN, RO

SUBJECT: DOLLAR BONDS AND IBRD

REF: A. BUCHAREST 2035; B. STATE 097512; C. BUCHAREST 1705

1. I WAS CALLED IN ON SHORT NOTICE TO SEE FOREIGN MINISTER MACOVESCU THIS AFTERNOON. MACOVESCU ASKED ME TO INFORM WASHINGTON OF GOR'S SURPRISE THAT US REPRESENTATIVE TO IBRD WOULD VOTE AGAINST ROMANIAN LOAN REQUESTS BEING CONSIDERED AT EXECUTIVE DIRECTORS MEETING. (NEWS THAT US WOULD OPPOSE THESE LOANS (AS WELL AS UK) GIVEN DEPUTY FINANCE MINISTER BITULEANU AND AMBASSADOR BOGDAY BY IBRD VICE PRESIDENT BENJEAK.) HE ASKED FURTHER THAT I CONVEY GOR REQUEST THAT US RECONSIDER ITS OPPOSITION IN LIGHT OF THE EXTENSIVE AND GOOD RELATIONS BETWEEN THE TWO COUNTRIES AND THEIR PRESIDENTS, RELATIONS WHICH HAD TAKEN SO MUCH EFFORT TO CONSTRUCT. HE EXPLAINED THAT WHILE GOR WAS PREPARED TO FIND SOLUTION TO BONDHOLDERS' PROBLEMS AND BITULEANU'S
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MEETING WITH WOODS WAS A SIGN OF THAT INTENT, GOR

DID NOT CONSIDER ESSENTIALLY BILATERAL PROBLEMS AS JUSTIFICATION FOR BLOCKING MULTILATERAL ACTIONS. MACOVESCU CONCLUDED HIS PRESENTATION BY SAYING THAT IF THE US AND UK CONTINUED TO OPPOSE FAVORABLE CONSIDERATION OF THE LOAN REQUESTS, ROMANIA WILL WITHDRAW THE REQUESTS RATHER THAN PUT THEM TO A VOTE. SINCE BENJEAK ON BEHALF OF MCNAMARA ASKED FOR ROMANIAN RESPONSE BY JUNE 14, MACOVESCU SAID THE ABOVE POINTS WERE BEING TELEGRAPHED NOW FROM BUCHAREST TO WASHINGTON. HE HAS ASKED THE BRITISH AMBASSADOR TO MAKE THE SAME POINTS TO LONDON.

2. MACOVESCU THEN WENT ON TO PROVIDE WHAT HE CALLED "MARGINAL" COMMENTS. THE GIST OF THESE REMARKS WAS TO STRESS ROMANIAN UNWILLINGNESS TO BOW TO PRESSURE TACTICS REGARDLESS OF THE SOURCE OF THE PRESSURE. HE FELT OUR TYING THE LOANS AND THE BONDS TOGETHER WAS JUST SUCH PRESSURE, PARTICULARLY IN THE LIGHT OF ROMANIAN WILLINGNESS TO LOOK FOR A SOLUTION. HE SAID HE SERIOUSLY QUESTIONED WHETHER EVEN THE PRINCIPLE INVOLVED IN THE BOND SETTLEMENT, NOT TO MENTION THE VAGUE AMOUNTS INVOLVED, WAS WORTH CASTING A SHADOW ON OUR POLITICAL RELATIONS.

3. I TOLD MACOVESCU THAT I HAD HAD NO WORD FROM WASHINGTON FOR THE LAST SEVERAL WEEKS ABOUT DEVELOPMENTS ON THE LOAN QUESTION BUT RECALLED THAT OUR CONCERN ON REACHING A SETTLEMENT ON THE BOND ISSUE WAS NOT A NEW ONE. I SPECIFICALLY MENTIONED THAT THE QUESTION HAD BEEN RAISED BY TREASURY UNDER SECRETARY BENNETT IN APRIL AND MORE RECENTLY BY AN EMBASSY OFFICER WITH BITULEANU IN CONNECTION WITH WORKING OUT HIS MEETING WITH WOODS (BUCHAREST 2035). I SAID THEREFORE OUR GENERAL APPROACH TO THE PROBLEM SHOULD NOT COME AS A SURPRISE. I ALSO RECALLED THAT WE HAD NOTED AT THE TIME OF ROMANIA'S JOINING THE BANK THAT WE CONSIDERED THE BONDHOLDERS PROBLEM ONE TO BE SOLVED. MACOVESCU AGREED WITH THIS BUT REITERATED GOR'S BELIEF THAT THE TWO QUESTIONS SHOULD BE HANDLED SEPARATELY.

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I PROMISED TO PASS ON MACOVESCU'S STATEMENT TO WASHINGTON AND TO OBTAIN THE EARLIEST POSSIBLE RESPONSE.

4. COMMENT: WHILE I AM NOT SURPRISED AT OUR CONTINUED INSISTENCE ON REACHING A SOLUTION FOR THE BONDHOLDERS PROBLEM, I AM SURPRISED IN THE LIGHT OF STATE 097512 THAT WE HAVE ALREADY DECIDED TO

OPPOSE THE ROMANIAN LOAN REQUEST. I WOULD HAVE
THOUGHT ROMANIAN WILLINGNESS TO
HOLD DISCUSSIONS WITH WOODS (INCLUDING INVITATION
FOR WOODS TO VISIT BUCHAREST - BUCHAREST 1705)
AND THE WOODS-BITULEANU MEETING OF JUNE 10 COULD
HAVE BEEN TAKEN AT THIS STAGE AS SIGNS OF THE
REASONABLE EFFORT TO SETTLE DEFAULTED BOND
INDEBTEDNESS TO WHICH REFTEL B REFERS. IT MAY BE
HOWEVER THAT THE WOODS-BITULEANU MEETING PRODUCED
SUCH DISAPPOINTING RESULTS THAT WE HAVE COME TO
A DIFFERENT CONCLUSION. EVEN SO, I WOULD QUESTION
WHETHER SOME TIME WOULD NOT BE NEEDED TO WORK OUT
THE IMPLICATIONS OF THAT CONVERSATION INCLUDING
FURTHER DISCUSSIONS HERE IN BUCHAREST. WHILE I
DO NOT BELIEVE WE SHOULD AGREE WITH THE GOR PO-
SITION THAT SETTLEMENT OF THE BOND INDEBTEDNESS
PROBLEM HAS NO CONNECTION WITH IBRD LENDING, I DO
FEEL ATTENTION NEEDS TO BE GIVEN TO THE EFFECT OF A
NEGATIVE VOTE ON OUR OVERALL RELATIONS IN
THE LIGHT OF APPARENT RENEWED ROMANIAN WILLING-
NESS TO MOVE TOWARD SOME SOLUTION. I MUST SAY I
WAS IMPRESSED MYSELF IN MY OWN DISCUSSIONS WITH
GEORGE WOODS WITH HOW FUZZY AN AREA THE WHOLE
CLAIMS SITUATION IS.

5. WOULD APPRECIATE A REPLY TOMORROW MORNING IF
AT ALL POSSIBLE ON CURRENT STATE OF PLAY,
INCLUDING ANY POINTS I SHOULD MAKE WITH MACOVESCU.
BARNES

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